ELIAS MOTSOALEDI LOCAL MUNICIPALITY

(Registration number LIM 472)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Office of the Auditor General (Polokwane) - Auditors

Published 31 August 2015

General Information

Mayor	Cllr JL Mathebe
Chief Whip	Cllr TM Phahlamohlaka
Speaker	Cllr TS Mahlangu
Councillors	
	Cllr JL Mathebe (Mayor)
	Cllr R Alberts (Exco Member)
	Cllr TJ Lepota (Exco Member)
	Cllr NN Mahlangu (Exco Member)
	Cllr EM Masemola (Exco Member)
	Cllr GD Matjomane (Exco Member)
	Cllr FM Mogotji (Exco Member)
	Cllr MJ Mohlala (Exco Member)
	Cllr JJ Skosana (Exco Member)
	Cllr MD Tladi (Exco Member)
	Cllr TS Mahlangu (Speaker)
	Cllr TM Pahlamohlaka (Chief Whip)
	Cllr MZ Buta
	Cllr RSA Kabinie
	Cllr JP Kotze
	Cllr MF Madihlaba
	Cllr MM Maepa
	Cllr MK Tshoshane
	Cllr AB Mahlangu
	Cllr J Mahlangu
	Cllr MD Mahlangu
	Cllr KS Mahlase
	Cllr MN Malatji
	Clr MS Malekane
	Cllr AM Maloba
	Cllr DS Mamaila
	Cllr MS Marapi
	Cllr MS Maselela
	Cllr HS Mashifane
	Cllr MS Mashilo
	Cllr WM Matemane
	Cllr SM Mathale
	Cllr MS Matlala
	Cllr TS Matsepe
	Cllr MP Matshipa
	Cllr ST Matsomane
	Cllr SH Mehlape
	Cllr CT Mhlanga
	Cllr I Mkhaliphi
	Cllr TN Mmutle
	Cllr VV Moganedi
	Cllr MP Mokgabudi
	Cllr MT Mokganyetji
	Cllr I Mogkomogane

General Information

	Cllr MP Mokone Cllr OE Motau Cllr MG Motlafe Cllr DM Mzinyane Cllr ME Nduli Cllr SF Nkosi Cllr TJ Ntuli Cllr ML Phala Cllr A Phatlane Cllr MW Pitje Cllr RJ Podile Cllr MF Rakoena Cllr MW Ramphisa Cllr SL Skosana Cllr LH Tshoma Cllr MS Tshoma Cllr MW Pitje Cllr MZ Buta
Accounting Officer	Mrs RM Maredi
Chief Finance Officer (CFO)	Mr Mcabangelwa Mthimunye (Acting)
Business address	2nd Grobler Avenue - Civic Centre Groblersdal 0470
Postal address	PO Box 48 Groblersdal 0470
Bankers	ABSA Bank Limited
Auditors	Office of the Auditor General (Polokwane)
Grading of the Municpality	Grade 3

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act no. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

The annual financial statements set out on pages 6 to 88, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mrs RM Maredi
Municipal Manager

31 August 2015

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 ordinary and 6 special meetings were held.

Name of member	Number of meetings attended
Adv. SST Kholong (Chairperson)	3 Normal - 4 Special - 7 Total
Mr. LAT Gafane (From 1 July 2012)	1 Normal - 1 Special - 2 Total
Mr. MG Mathabathe (From 1 Aug 2013)	3 Normal - 4 Special - 7 Total
Adv. R Nke (From 1 July 2012)	1 Normal - 1 Special - 2 Total
Mr. B Mbange (From 1 Aug 2013)	3 Normal - 4 Special - 7 Total

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The content and the quality of the yearly management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act have been verified by the audit committee.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Subject to Management effecting the recomendations made by the Audit Committee during the review of the 2014/2015 draft financial statements, the Committee accepts the Annual Financial Statements.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit and risk management committee

The municipality has an internal audit division on the organisational structure and a chief internal auditor was appointed during the year. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) . Unfortunately the position became vacant recently and has been advertised but not yet filled. A seperate risk management unit was established as required and manages the risk profile of the municipality. The various risks are addressed as part of the notes to the financial statements as well as operational and environmental risks on a management level by the risk management committe.

Auditor-General of South Africa

The audit committee has not met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee Adv. SST Kholong

Date:

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 2 626 651 (2014: surplus R 23 122 267).

The municipality performed the debtor administration of water and sanitation services on an agency basis in term of a service level agreement. The original period of the water and sanitation services contract expired on 30 June 2013. The Sekhukhune District Municipality has extended the current contract until 30 June 2014. This change is not expected to have a major effect on the financial position and performance of the municipality for the period under review or future financial periods. It is reported that the transfer was completed as planned on 30 June 2014. The final transactions were fully accounted for as part of the comparative information included in these statements.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality for the financial period under review started experiencing cashflow problems due to commitments on prior year capital projects not funded and under collection of consumer debtors. The accounting officer is satisfied that the situation was managed and did not impact on the going concern of the municipality and its continued operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial.

4. Accounting Officer's interest in contracts

The accounting officers' declare not to have any interest in contracts of the Municipality.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year is set out in the notes to the financial statements.

7. Accounting Officer

The accounting officers of the municipality during the financial year and to the date of this report are as follows:

Name	Nationality	Changes
Mr NW Phala (Acting)	South African	Resigned 25 August 2014
Mrs RM Maredi	South African	Appointed 25 August 2014

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

Accounting Officer's Report

The councillors:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee councillors, and
  - Councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

Adv. SST Kholong was the chairperson of the audit committee. The committee met during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipal entity onto the audit committee.

Internal audit

The municipality employed an internal auditor for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

9. Bankers

The municipality banks primarily with ABSA Bank Limited.

10. Auditors

The Office of the Auditor General (Polokwane) will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2015	Restated 2014
Assets			
Current Assets			
Inventories	12	2 635 642	2 287 835
Receivables from exchange transactions	13	3 200 182	18 625 800
Receivables from non-exchange transactions	14	3 032 296	2 628 317
VAT receivable	15	25 558 369	11 399 403
Consumer debtors - From Exchange Transactions	16	6 137 351	6 036 714
Consumer debtors - From Non Exchange Transactions	16	12 606 685	14 520 714
Cash and cash equivalents	17	24 967 089	35 246 865
		78 137 614	**90 745 648**
Non-Current Assets			
Investment property	5	89 472 000	85 382 000
Property Plant and Equipment	6	729 129 354	694 686 541
Heritage Assets	7	323 370	310 918
Intangible assets	8	640 009	-
Deposit (Security held in advance)	8&10	10 650 261	10 081 452
		830 214 994	**790 460 911**
Total Assets		**908 352 608**	**881 206 559**
Liabilities			
Current Liabilities			
Other financial liabilities	18	220 000	220 000
Landfill Site Provision	20	773 225	807 968
Payables from exchange transactions	21	43 960 089	32 903 437
Consumer deposits	22	5 531 346	3 170 578
Employee benefit obligation	9	1 146 900	1 040 741
Unspent conditional grants and receipts	19	16 212 145	9 661 856
Provision for long service leave bonus	20	588 430	149 218
		68 432 135	**47 953 798**
Non-Current Liabilities			
Other financial liabilities	18	4 840 000	5 060 000
Landfill Site Provision	20	41 090 764	34 183 239
Employee benefit obligation	9	29 616 811	27 127 599
Provision for long service leave bonus	20	3 485 581	3 367 957
		79 033 156	**69 738 795**
Total Liabilities		**147 465 291**	**117 692 593**
Net Assets		**760 887 317**	**763 513 966**
Net Assets			
Accumulated surplus		760 887 317	763 513 966

* See Note 2 & 45

Statement of Financial Performance

Figures in Rand	..	2015	Restated 2014
Revenue			
Revenue from exchange transactions			
Service charges	25	59 868 598	56 620 595
Rental of facilities and equipment	23	1 198 622	1 124 654
Agency services	23	-	2 623 479
Licences and permits	23	5 081 009	4 699 395
Other income	27	3 180 038	2 209 866
Interest received	34	9 826 125	10 230 798
Total revenue from exchange transactions		**79 154 392**	**77 508 787**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	19 271 377	20 449 606
Transfer revenue			
Government grants & subsidies	26	229 608 474	191 600 631
Fines, Penalties and Forfeits	27	2 583 639	1 666 250
Total revenue from non-exchange transactions		**251 463 490**	**213 716 487**
Total revenue	23	**330 617 882**	**291 225 274**
Expenditure			
Employee related costs	30	(102 669 167)	(87 174 519)
Remuneration of councillors	31&55	(18 843 915)	(16 036 760)
Administration	32	(574 646)	(571 163)
Depreciation and amortisation	35	(32 042 158)	(32 548 462)
Impairment loss/ Reversal of impairments		(649 448)	1 250 000
Lease rentals on operating lease		(10 159 911)	(3 792 972)
Debt Impairment	33	(11 356 913)	(10 244 663)
Repairs and maintenance		(10 678 234)	(11 952 349)
Bulk purchases	39	(51 852 916)	(48 014 426)
Transfers and Subsidies	38	(1 831 579)	(2 287 144)
Loss on valuation of biological, other and heritage assets		(2 135 548)	(53 999)
General Expenses	28	(71 945 597)	(56 126 989)
Total expenditure		**(314 740 032)**	**(267 553 446)**
Operating surplus	29	**15 877 850**	**23 671 828**
Additional service cost landfill rehabilitation	20	(6 064 815)	(3 183 094)
Fair value adjustments - actuarial gains and losses Restated	7&9&20	278 209	(2 131 468)
Investment property fair value adjustment	5	4 090 000	4 765 000
Sekhukhune agency services waived by council	13	(16 807 895)	-
		(18 504 501)	**(549 562)**
(Deficit) surplus for the year		**(2 626 651)**	**23 122 266**

* See Note 2 & 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	740 804 645	740 804 645
Adjustments		
Correction of errors - Rental Income and Fine revenue	(412 946)	(412 946)
Balance at 01 July 2013 as restated	**740 391 699**	**740 391 699**
Changes in net assets		
Surplus for the year	23 122 267	23 122 267
Total changes	23 122 267	23 122 267
Opening balance as previously reported	766 265 134	766 265 134
Adjustments		
Correction of errors - Debtor Billing Retrospective Rental and Rates and fines	(1 079 700)	(1 079 700)
Change in long service awards liability	(949 723)	(949 723)
Change in long service awards liability current service cost	(223 410)	(223 410)
Depreciation correction 2014	(63 548)	(63 548)
Prior year revenue - VAT not declared	(412 946)	(412 946)
Change in Bonus accrual	(53 063)	(53 063)
Prior year adjustment - Acting	31 224	31 224
Balance at 01 July 2014 as restated	**763 513 968**	**763 513 968**
Changes in net assets		
Surplus for the year	(2 626 651)	(2 626 651)
Total changes	(2 626 651)	(2 626 651)
Balance at 30 June 2015	**760 887 317**	**760 887 317**
Note(s)	45	

* See Note 2 & 45

Cash Flow Statement

Figures in Rand	Note(s)	2015	Restated 2014
Cash flows from operating activities			
Receipts			
Fines		2 179 660	1 666 250
Sale of goods and services		71 957 222	79 693 759
Grants		236 158 763	191 600 631
Interest income		9 257 316	10 230 799
Other receipts		2 776 383	3 334 520
Licences and Permits	41	5 081 009	4 699 395
		327 410 353	291 225 354
Payments			
Employee costs		(118 329 651)	(103 189 431)
Suppliers		(149 508 709)	(121 765 675)
Non Cash Adjustment Fair value adjustment and Other financial Liabilities	41	58 209	-
		(267 780 151)	(224 955 106)
Net cash flows from operating activities	40	**59 630 202**	**66 270 248**
Cash flows from investing activities			
Purchase of property plant and equipment	6	(70 368 780)	(50 489 838)
Proceeds from sale of property plant and equipment	6	458 802	-
Purchase of deposit (security held in advance)		-	(531 526)
Proceeds from sale of longterm lease debtor - restated		-	342 027
Net cash flows from investing activities		**(69 909 978)**	**(50 679 337)**
Cash flows from financing activities			
Repayment of other financial liabilities		58 209	4 321 665
Adjust for non cash movement		(58 209)	-
Net cash flows from financing activities		**-**	**4 321 665**
Net increase/(decrease) in cash and cash equivalents		**(10 279 776)**	**19 912 576**
Cash and cash equivalents at the beginning of the year		35 246 865	15 334 289
Cash and cash equivalents at the end of the year	17	**24 967 089**	**35 246 865**

* See Note 2 & 45

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	60 443 000	6 160 000	**66 603 000**	59 868 598	**(6 734 402)**	Load shedding impacted on electricity sales
Rental of facilities and equipment	1 030 000	2 030 000	**3 060 000**	1 198 622	**(1 861 378)**	Additional rentals were affected by adjusting to prior year amounts
Licences and permits	5 648 000	353 000	**6 001 000**	5 081 009	**(919 991)**	VAT effect on the fines were not taken into account
Other income	3 946 000	(1 398 370)	**2 547 630**	3 180 038	**632 408**	Less tender documents were sold additional sales did not realise
Interest received - investment	7 800 000	3 460 000	**11 260 000**	9 826 125	**(1 433 875)**	Additional interest were earned due to good investmenmt practices
Total revenue from exchange transactions	**78 867 000**	**10 604 630**	**89 471 630**	**79 154 392**	**(10 317 238)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30 000 000	(5 500 000)	**24 500 000**	19 271 377	**(5 228 623)**	Municipal Properties were not levied during the period
Transfer revenue						
Government grants & subsidies	221 481 000	23 873 370	**245 354 370**	229 608 474	**(15 745 896)**	Unspent grants could not be recognised
Fines, Penalties and Forfeits	610 000	-	**610 000**	2 583 639	**1 973 639**	Fines recognised on accrual and budget on cash basis
Total revenue from non-exchange transactions	**252 091 000**	**18 373 370**	**270 464 370**	**251 463 490**	**(19 000 880)**	
Total revenue	**330 958 000**	**28 978 000**	**359 936 000**	**330 617 882**	**(29 318 118)**	
Expenditure						
Personnel	(97 177 000)	(168 000)	**(97 345 000)**	(102 669 167)	**(5 324 167)**	NPA adjustment
Remuneration of councillors	(16 273 000)	(1 316 000)	**(17 589 000)**	(18 843 915)	**(1 254 915)**	Additional expenditure on cellphone and data contracts
Administration	-	-	**-**	(574 646)	**(574 646)**	Cost of drivers licence account not taken into consideration

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Depreciation and amortisation	(35 000 000)	1 500 000	**(33 500 000)**	(32 042 158)	**1 457 842**	Accurate estimate not available at budget process
Impairment loss/ Reversal of impairments	-	-	**-**	(649 448)	**(649 448)**	
Lease rentals on operating lease	-	(10 805 000)	**(10 805 000)**	(10 159 911)	**645 089**	Within expected result
Bad debts written off	(3 000 000)	(8 000 000)	**(11 000 000)**	(11 356 913)	**(356 913)**	Amount written off on traffic fines not taken into account
Repairs and maintenance	(8 700 000)	-	**(8 700 000)**	(10 678 234)	**(1 978 234)**	Additional amounts paid on the repairs and maintenance
Bulk purchases	(50 013 000)	(6 019 000)	**(56 032 000)**	(51 852 916)	**4 179 084**	Load shedding impacted on sales and expenditure
Transfers and Subsidies	(9 600 000)	7 660 000	**(1 940 000)**	(1 831 579)	**108 421**	All grants expensed
General Expenses	(71 734 000)	1 415 000	**(70 319 000)**	(71 945 597)	**(1 626 597)**	Within normal expected expenditure
Total expenditure	**(291 497 000)**	**(15 733 000)**	**(307 230 000)**	**(312 604 484)**	**(5 374 484)**	
Operating surplus	**39 461 000**	**13 245 000**	**52 706 000**	**18 013 398**	**(34 692 602)**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 135 548)	**(2 135 548)**	Accurate estimate not available during budget

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Additional contribution landfill rehabilitation	-	-	**-**	(6 064 815)	**(6 064 815)**	Non cash adjustment on the afs
Fair value adjustments	-	-	**-**	278 209	**278 209**	Non Cash adjustment on the afs
Income from equity accounted investments (Filtered	-	-	**-**	4 090 000	**4 090 000**	Additions and revaluations on investment properties
Waiver of Sekhukhune District Municipality transactions up to 30 June 2015	-	-	**-**	(16 807 895)	**(16 807 895)**	Council resolution on long outstanding matter
	-	**-**	**-**	**(20 640 049)**	**(20 640 049)**	
Deficit before taxation	**39 461 000**	**13 245 000**	**52 706 000**	**(2 626 651)**	**(55 332 651)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**39 461 000**	**13 245 000**	**52 706 000**	**(2 626 651)**	**(55 332 651)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	5 000 000	(2 700 000)	**2 300 000**	2 635 642	**335 642**	The VAT effect of inventory was not taken into account with the budget schedules
Receivables from exchange transactions	-	-	**-**	3 200 183	**3 200 183**	Budgeted as part receivables on budget schedules
Receivables from non-exchange transactions	-	-	**-**	3 032 296	**3 032 296**	Budgeted as part of receivables on budget schedule
VAT receivable	16 500 000	-	**16 500 000**	25 558 369	**9 058 369**	Additional old VAT reclaimed was not taken into account with the budget
Consumer debtors	30 000 000	-	**30 000 000**	18 744 033	**(11 255 967)**	Debtors of R 8.5m were written off

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash and cash equivalents	20 769 000	40 752 000	**61 521 000**	24 967 089	**(36 553 911)**	Less cash was received from the district council and debtors than anticipated. Additional creditors were paid on year end.
	72 269 000	**38 052 000**	**110 321 000**	**78 137 612**	**(32 183 388)**	
Non-Current Assets						
Investment property	220 000 000	(132 618 000)	**87 382 000**	89 472 000	**2 090 000**	Anticipated increase exceeded the value anticipated from the supplemantary valuation from the valuer
Property Plant and Equipment	830 229 000	(58 655 000)	**771 574 000**	729 129 353	**(42 444 647)**	Additions were reduced by the unspent DME and MIG Grants

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Heritage Assets	-	-	-	323 370	**323 370**	Item consolidated on budget schedules with amount PPE
Intangible assets	27 000 000	(27 000 000)	-	640 009	**640 009**	Post audit adjustment was taken into account. Item transferred to expenditure.
Biological Assets	18 000	(18 000)	-	-	-	Non Cash adjustment
Deposit (Security held in advance)	-	-	-	10 650 261	**10 650 261**	The eskom deposits was performed as an AFS2015 adjustment and was not part of the budget process
Longterm lease Debtor - restated	-	-	-	-	-	The leases were indicated on prior year afs as contingent assets at the time of drafting the budget.
	1 077 247 000	**(218 291 000)**	**858 956 000**	**830 214 993**	**(28 741 007)**	
Total Assets	**1 149 516 000**	**(180 239 000)**	**969 277 000**	**908 352 605**	**(60 924 395)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	220 000	**220 000**	Pre Paid Debtor Short term portion not taken into account seperately
Landfill Rehabilitation Provision	-	-	**-**	773 225	**773 225**	The landfill was transferred as a post audit adjustment and was not part of the budget process
Payables from exchange transactions	38 000 000	-	**38 000 000**	43 960 088	**5 960 088**	An effort was made to pay creditors before year end and it affected the cash position and anticipated creditors provision.
Consumer deposits	5 000 000	(1 693 000)	**3 307 000**	5 531 346	**2 224 346**	Deposits was increased during the year and resulted in an additional amount raised that exceeded estimates

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Employee benefit obligation	-	-	**-**	1 146 900	**1 146 900**	Included in the short term portion as indicated below
Unspent conditional grants and receipts	-	-	**-**	16 212 145	**16 212 145**	This was due to unforseen results on the DME and MIG additional projects being unspent
Provision for long service leave bonus	-	-	**-**	588 430	**588 430**	Included in the below mentioned short term portions below
	43 000 000	**(1 693 000)**	**41 307 000**	**68 432 134**	**27 125 134**	
Non-Current Liabilities						
Other financial liabilities	-	-	**-**	4 840 000	**4 840 000**	This amount was received in advance and did not form part of the budget process
Landfill Site Rehabilitation provision	-	-	**-**	41 090 764	**41 090 764**	The landfill was transferred as a post audit adjustment and was not part of the budget process

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Employee benefit obligation	40 000 000	-	**40 000 000**	29 616 811	**(10 383 189)**	The amount indicated in the afs include the short term portion above and was less than expected when budgeted based on prior year actuarial reports
Provision for long service leave bonus	-	-	**-**	3 485 581	**3 485 581**	This was included in the emplyee benefit obligation provision.
	40 000 000	**-**	**40 000 000**	**79 033 156**	**39 033 156**	
Total Liabilities	**83 000 000**	**(1 693 000)**	**81 307 000**	**147 465 290**	**66 158 290**	
Net Assets	**1 066 516 000**	**(178 546 000)**	**887 970 000**	**760 887 315**	**(127 082 685)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 066 516 000	(178 546 000)	**887 970 000**	760 887 315	**(127 082 685)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	24 200 000	(900 000)	23 300 000	-		23 300 000	19 271 377		(4 028 623)	83 %	80 %
Service charges	59 699 000	6 906 000	66 605 000	-		66 605 000	59 868 598		(6 736 402)	90 %	100 %
Investment revenue	7 800 000	3 460 000	11 260 000	-		11 260 000	9 826 125		(1 433 875)	87 %	126 %
Transfers recognised - operational	170 641 000	3 987 600	174 628 600	-		174 628 600	173 520 126		(1 108 474)	99 %	102 %
Other own revenue	13 117 600	(900 800)	12 216 800	-		12 216 800	12 321 517		104 717	101 %	94 %
Total revenue (excluding capital transfers and contributions)	**275 457 600**	**12 552 800**	**288 010 400**	**-**		**288 010 400**	**274 807 743**		**(13 202 657)**	**95 %**	**100 %**
Employee costs	(97 177 000)	(168 000)	(97 345 000)	-	-	(97 345 000)	(102 669 167)	-	(5 324 167)	105 %	106 %
Remuneration of councillors	(16 273 000)	(1 316 000)	(17 589 000)	-	-	(17 589 000)	(18 843 915)	-	(1 254 915)	107 %	116 %
Debt impairment	(3 000 000)	(8 000 000)	(11 000 000)			(11 000 000)	(11 356 913)	-	(356 913)	103 %	379 %
Depreciation and asset impairment	(35 000 000)	1 500 000	(33 500 000)			(33 500 000)	(32 691 606)	-	808 394	98 %	93 %
Materials and bulk purchases	(50 013 000)	(6 019 000)	(56 032 000)	-	-	(56 032 000)	(51 852 916)	-	4 179 084	93 %	104 %
Transfers and grants	(9 600 000)	7 660 000	(1 940 000)	-	-	(1 940 000)	(1 831 579)	-	108 421	94 %	19 %
Other expenditure	(80 434 000)	(9 391 000)	(89 825 000)	-	-	(89 825 000)	(95 801 929)	-	(5 976 929)	107 %	119 %
Total expenditure	**(291 497 000)**	**(15 734 000)**	**(307 231 000)**	**-**	**-**	**(307 231 000)**	**(315 048 025)**	**-**	**(7 817 025)**	**103 %**	**108 %**
Surplus/(Deficit)	**(16 039 400)**	**(3 181 200)**	**(19 220 600)**	**-**		**(19 220 600)**	**(40 240 282)**		**(21 019 682)**	**209 %**	**251 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	50 840 000	19 885 770	70 725 770	-		70 725 770	56 088 348		(14 637 422)	79 %	110 %
Surplus (Deficit) after capital transfers and contributions	**34 800 600**	**16 704 570**	**51 505 170**	**-**		**51 505 170**	**15 848 066**		**(35 657 104)**	**31 %**	**46 %**
Share of surplus (deficit) of associate	1	1	2	-		2	(4 090 000)		(4 090 002)	500 000)%	000 000)%
Surplus/(Deficit) for the year	**34 800 599**	**16 704 569**	**51 505 168**	**-**		**51 505 168**	**19 938 066**		**(31 567 102)**	**39 %**	**57 %**
Capital expenditure and funds sources											
Total capital expenditure	77 290 000	25 213 000	102 503 000	-		102 503 000	73 166 874		(29 336 126)	71 %	95 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	59 630 202		59 630 202	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(69 909 978)		(69 909 978)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**(10 279 776)**		**(10 279 776)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	35 246 865		35 246 865	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**24 967 089**		**(24 967 089)**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Transfer of functions between entities not under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired [transferred] and liabilities assumed [relinquished]

The derecognition of assets and liabilities, is subject to the following conditions:

The assets transferred and the liabilities relinquished are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the acquirer have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration received and the assets transferred and liabilities relinquished in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

On the transfer date, the municipality measured these assets and liabilities in accordance with applicable Standards of GRAP. The liability for payment by the acquirer was recognised as a debtor. The net asset value is indicated in the financial statements after the assets were transferred in the current year on a donation basis

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in surplus or deficit.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio risk basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Post retirement benefits

1.3 Significant judgements and sources of estimation uncertainty (continued)

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

Provision for landfill sites

The provision for rehabilitation site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the related asset are charged to the Statement of Financial Performance. .

Provision of rehabilitation of landfill site is determined by :

- Calcuating the cost of rehabilitation of landfill sites and assessing the useful life of each land fill site as done by an Actuary/Specialist
- The effect of time value of money is calculated using interest rates (investment rate) inked to the prime rate.

1.4 Biological assets - Game Animals

An entity shall recognise a biological assets - game animals or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets - Game Animals are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets - game animals or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets - game animals is included in surplus or deficit for the period in which it arises.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

1.5 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be measurable when construction is complete. It measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Property Plant and Equipment

Property Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property Plant and Equipment is initially measured at cost.

The cost of an item of property plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Accounting Policies

1.6 Property Plant and Equipment (continued)

Where an item of property plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property plant and equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and machinery	5 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	3 -20 years
Office equipment	3 - 5 years
IT equipment	3 - 6 years
Computer software	3 - 5 years
Infrastructure	5 - 30 years
Other property, plant and equipment	5 - 30 years
Other equipment	5- 25 years
Specialised vehicles	10 years
Tools and loose gear	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised on the straight line basis in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting Policies

1.6 Property Plant and Equipment (continued)

Items of property plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

1.8 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

1.8 Financial instruments (continued)

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Invetment Property	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
VAT	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade Payables	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

1.9 Leases (continued)

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.11 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

1.11 Impairment of cash-generating assets (continued)

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwater

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

1.12 Impairment of non-cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset’s remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

1.12 Impairment of non-cash-generating assets (continued)

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction / (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

1.13 Employee benefits (continued)

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.13 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and Contingent Liabilities

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.14 Provisions and Contingent Liabilities (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.

1.14 Provisions and Contingent Liabilities (continued)

- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

1.16 Revenue from non-exchange transactions (continued)

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Revenue from issuing of fines is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably.

  The municipality has two types of fines; spot fines and summonses.There is uncertainty regarding the probability of the flow of economic benefits or services potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fines is enforceable.
  In respect of summonses the public prosecutor can decide whether to waive or to fine, reduce it or prosecute for non-payment by offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts, collected. Where a reliable estimate cannot be made from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;

1.16 Revenue from non-exchange transactions (continued)
- Internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised on receipt probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period., such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

Commitments

If the municipality enters into any significant contractual commitments that will result in the outflow of financial sources after the balance sheet date, it must be disclosed in the notes to the annual financial statements as a non-adjusting event.

Commitments include:

· Capital commitments (to acquire PPE and intangible assets)

· Lease commitments

· Other financial commitments

The value of the planned outflow of financial resources shall be disclosed per category of commitments

Property rates - revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Other grants and donations

Other grants and donations are recognised as revenue when:

> it is probably that the economic benefits or service potential associated with the transaction will flow to the municipality;

> the amount of the revenue can be measured reliably; and

>to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. if conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

>to the extent that there has been compliance with any restrictions associated with the grant.

1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.22 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Grants are included in Non exchange transactions revenue.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

Accounting Policies

1.26 Budget information (continued)

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

Comparative information is not required.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.28 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2015	Restated 2014

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- NONE

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2015 or later periods:

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

- None

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

4. Biological assets - Game Animals

Reconciliation of biological assets - game animals - 2014

	Opening balance	Other changes, movements	Total
Biological assets - Game Animals	11 643	(11 643)	-

Non - Financial information

Methods and assumptions used in determining fair value

A specialist was appointed for the current period and no game animals were found on the farm for 2014. During the past 2 years large portions of the land was burned and it is not cost effective to implement more control over the farm. It is expected that the future use of the farm will change to be part of the operating properties of the municipality. Game animals moved back on the farm during the year and was found on inspection.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	89 472 000	-	89 472 000	85 382 000	-	85 382 000

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Fair value adjustments	Total
Investment property	85 382 000	4 090 000	-	89 472 000

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Fair value adjustments	Total
Investment property	80 617 000	4 765 000	-	85 382 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. None of the assets of the Municipality has been pledged as security for any purposes.

Details of valuation

The effective date of the annual revaluation was 30 June 2014 and will be performed for 30 June 2015. Revaluations were performed by an independent valuer, Mr Nel a qualified and registered property valuer, of Uniqeco (Pty) Ltd. Uniqueco is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The assessment of useful life, residual values and impairment was performed for the periods disclosed.

Valuation surplus and deficit on the properties are included in the Statement of Financial Performance for the year and the prior year as per the accounting policy.

Notes to the Annual Financial Statements

Figures in Rand

6. Property Plant and Equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	183 051 381	(9 026 900)	174 024 481	183 051 381	(9 026 900)	174 024 481
Buildings	55 324 420	(19 769 606)	35 554 814	53 313 115	(17 076 851)	36 236 264
Infrastructure	514 457 963	(149 526 806)	364 931 157	506 597 313	(130 613 977)	375 983 336
Community	57 830 527	(14 700 883)	43 129 644	54 992 861	(12 671 352)	42 321 509
Other property, plant and equipment	113 712 881	(88 353 412)	25 359 469	137 080 624	(102 224 701)	34 855 923
Capital Work in Progress	85 789 632	-	85 789 632	30 898 704	-	30 898 704
Leased Assets	392 490	(52 333)	340 157	392 490	(26 166)	366 324
Total	**1 010 559 294**	**(281 429 940)**	**729 129 354**	**966 326 488**	**(271 639 947)**	**694 686 541**

Reconciliation of Property Plant and Equipment 2015

	Opening balance	Additions	Disposals Write offs and taken out of service	Transfers	Depreciation disposal	Depreciation	Impairment loss	Total
Land	174 024 481	-	-	-	-	-	-	174 024 481
Buildings	36 236 264	2 011 306	-	-	-	(2 692 756)	-	35 554 814
Infrastructure	375 983 335	2 776 731	(9 750)	5 642 229	5 855	(18 817 795)	(649 448)	364 931 157
Community	42 321 509	1 702 081	(74 890)	1 210 475	32 747	(2 062 278)	-	43 129 644
Other property, plant and equipment	34 855 923	2 135 030	(24 020 977)	(740 897)	21 472 665	(8 342 275)	-	25 359 469
Capital Work in Progress	30 898 704	61 743 632	-	(6 852 704)	-	-	-	85 789 632
Leased Assets	366 324	-	-	-	-	(26 167)	-	340 157
	694 686 540	**70 368 780**	**(24 105 617)**	**(740 897)**	**21 511 267**	**(31 941 271)**	**(649 448)**	**729 129 354**

Notes to the Annual Financial Statements

Figures in Rand

6. Property Plant and Equipment (continued)

Reconciliation of Property Plant and Equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	172 774 481	-	-	-	-	-	1 250 000	174 024 481
Buildings	39 016 102	51 600	(5 633)	-	3 930	(2 829 735)	-	36 236 264
Infrastructure	358 979 214	18 398 710	(133 817)	16 475 974	124 514	(17 861 260)	-	375 983 335
Community	44 358 252	-	(4 492)	-	2 360	(2 034 611)	-	42 321 509
Other property, plant and equipment	41 815 171	2 855 315	(345 163)	(230 151)	327 290	(9 566 539)	-	34 855 923
Capital Work in Progress	18 190 465	29 184 213	-	(16 475 974)	-	-	-	30 898 704
Leased assets	392 490	-	-	-	-	(26 166)	-	366 324
	675 526 175	**50 489 838**	**(489 105)**	**(230 151)**	**458 094**	**(32 318 311)**	**1 250 000**	**694 686 540**

Revaluations

The effective date of the revaluations was 30 June 2015. Revaluations were performed by independent valuer, Messers Unico (Pty) Ltd. registered professional valuers.Messers Unico (Pty) Ltd. are not connected to the municipality. In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful live expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is an increase in the depreciation charges for the current period and an increase in the amortisation charges as indicated in the reconciliation table.

The assessment of useful life, residual values and impairment was performed for the periods disclosed.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. None of the assets of the Municipality has been pledged as security for any purposes.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

7. Heritage Assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Heritage Assets	323 370	-	323 370	310 918	-	310 918

Reconciliation of heritage assets - 2015

	Opening balance	Fair value adjustments - Revaluations	Total
Heritage Assets	310 918	12 452	323 370

Reconciliation of heritage assets - 2014

	Opening balance	Other changes	Total
Heritage Assets	322 263	(11 345)	310 918

8. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	1 380 907	(740 898)	640 009	-	-	-

Reconciliation of intangible assets - 2015

	Opening balance	Transfers received	Depreciation for the year	Accumulated depreciation transferred	Total
Computer software, other	-	1 380 907	(230 151)	(510 747)	640 009

9. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Present value of the Post Employment Medical Health Care obligation - opening balance	(28 168 340)	(24 917 233)
Net actuarial gains or losses recognised	189 279	(881 762)
Current Service Cost	(1 301 976)	(1 169 891)
Interest Charge	(2 513 201)	(2 112 918)
Benefits Paid Out Against the fund	1 030 527	913 464
Net liability	**(30 763 711)**	**(28 168 340)**
Non-current liabilities	(29 616 811)	(27 127 599)
Current liabilities	(1 146 900)	(1 040 741)
	(30 763 711)	**(28 168 340)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

9. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
Opening balance	28 168 340	24 917 233
Net expense recognised in the statement of financial performance	2 595 031	3 251 107
Closing balance	**30 763 371**	**28 168 340**

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	1 301 636	2 112 918
Interest cost	2 513 201	1 169 891
Actuarial (gains) losses	(189 279)	881 762
Paid out to current members	(1 030 527)	(913 464)
Total Employee Benefits Costs Paid	**2 595 031**	**3 251 107**

Calculation of actuarial gains and losses

	2015	2014
Actuarial (gains) losses – Obligation	(189 279)	881 762

Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rates used: Long service awards	8.88 %	9.09 %
General salary inlation (Long Term)	7.06 %	7.23 %
Nett effective discount rate - Long service awards	0.87 %	0.87 %
Discount rate used: Post employment benefits	8.88 %	8.63 %
Helath care inflation rate	7.98 %	8.15 %
Net effective discount rate - Post employment benefits	0.83 %	0.87 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	4 547 969	3 231 609

Amounts disclosed span the total information available as the municipality applied the GRAP standard only from 2012 annual financial statements. Future periods will include all further information as it ages.

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	30 763 371	28 168 340	24 917 233	24 001 186	-
Experience adjustments on plan	(363 000)	1 258 817	(1 444 000)	(74 000)	-

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees . A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Deposit (Security held in advance)

A security deposit is held by Escom who is the bulk electricity supplier of the municipality. The Municipality occasionally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance. The amount equals approximately twice the monthly account and will be held until the service is no longer required.

Eskom Deposits		
Account payable security	10 650 261	10 081 452

11. Longterm lease Debtor - restated

These items was restated as receivables from exchange transactions for 2014. - The municipality levied additional lease contract that was signed based on historical leases. These lease contracts were previously not available and have been provided as contingent assets in 2013. The leases were only finalised after 2014 year end but adjusted retrospectively as required by GRAP. The amounts levied were 2014 : R643 564.54 (2013: R 342 026.94) (2010- 2012 : R 217 771.62) For information on the restatement refer to note 44.

12. Inventories

Consumable stores	2 635 642	2 287 835

13. Receivables from exchange transactions

Sundry Debtors	1 023 557	12 297 352
Prepayments (if immaterial)	71 859	2 643
Sekhukhune Debtor	-	5 587 461
Write off Debtor: to be authorised by council	-	24 151
Recoverable Debt	2 104 766	714 193
	3 200 182	**18 625 800**

The Sekhukhune debtor is due to a service level agreement between the District Municipality (water services authority) and the local municipality (water services provider). The Council decided to waive the amounts for all transactions until 30 June 2014. The amount of the waiver of R 16 807 895 was transferred to the Statement of Financial Performance for the period under review.

14. Receivables from non-exchange transactions

Fines	19 948 685	17 808 535
Less- Provision for irrecoverable debt and fair value adjustment	(16 916 389)	(15 180 218)
	3 032 296	**2 628 317**

Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R 19 948 685 (2014: R 17 808 535) were impaired and provided for.

The amount of the provision was R 16 916 389 as of 30 June 2015 (2014: R 15 180 218).

15. VAT receivable

VAT receivable	25 558 369	11 399 403

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. VAT receivable (continued)

The amount reflecting on the above mentioned balances consists of the VAT input, output and VAT control accounts. Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors seperate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the seperate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

16. Consumer debtors

	2015	2014
Gross balances		
Rates - Non Exchange Transaction Restated	22 330 377	26 340 739
Electricity - Exchange Transaction	12 732 865	11 392 290
Refuse - Exchange Transaction	1 666 423	1 780 665
Other - (Interest and other major items) - Non Exchange Transaction	13 187 139	11 077 181
	49 916 804	**50 590 875**
Less: Provision for debt impairment		
Rates - Non Exchange Transaction	(13 775 235)	(14 664 106)
Electricity - Exchange Transaction	(7 246 466)	(6 013 073)
Refuse - Exchange Transaction	(1 015 473)	(1 123 168)
Other - (Interest and other major items) - Non Exchange Transaction	(9 135 597)	(8 233 098)
	(31 172 771)	**(30 033 445)**
Net balance		
Rates - Non Exchange Transactions	8 555 142	11 676 632
Electricity - Exchange Transactions	5 486 399	5 379 217
Refuse - Exchange Transactions	650 950	657 497
Other - (Interest and other major items) - Non Exchange Transactions	4 051 542	2 844 083
Total net consumer debtors balance	**18 744 033**	**20 557 429**
Rates - Consisting of Non Exchange Transactions		
Current (0 -30 days) Restated	1 609 443	8 246 663
31 - 60 days	960 965	955 633
61 - 90 days	745 935	718 048
91 - 120 days	544 385	651 773
121 - 365 days	9 175 322	586 982
> 365 days	9 294 327	15 181 640
	22 330 377	**26 340 739**
Electricity - Consisting of Exchange Transactions		
Current (0 -30 days)	5 989 814	3 115 638
31 - 60 days	1 464 319	1 810 965
61 - 90 days	768 428	847 374
91 - 120 days	272 094	615 631
121 - 365 days	2 810 600	517 837
> 365 days (SDM Waiver on 2014 R 2 583 017)	1 427 610	4 484 845
	12 732 865	**11 392 290**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Consumer debtors (continued)

Refuse - Consisting of Exchange Transactions		
Current (0 -30 days)	274 294	325 853
31 - 60 days	130 258	57 787
61 - 90 days	67 971	36 267
91 - 120 days	33 596	29 974
121 - 365 days	214 009	25 909
> 365 days	946 295	1 304 875
	1 666 423	**1 780 665**

Other - Consisting of Non Exchange Transactions		
Current (0 -30 days)	902 768	1 671 593
31 - 60 days	943 611	725 704
61 - 90 days	1 833 587	772 174
91 - 120 days	499 516	560 868
121 - 365 days	3 803 004	425 306
> 365 days	5 204 653	6 921 536
	13 187 139	**11 077 181**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	4 377 803	8 996 581
31 - 60 days	1 808 193	1 692 539
61 - 90 days	(743 980)	970 153
91 - 120 days	730 490	795 092
121 - 365 days	10 142 574	633 475
> 365 days	10 419 139	14 115 852
	26 734 219	27 203 692
Less: Allowance for impairment	(17 402 576)	(15 241 119)
	9 331 643	**11 962 573**

Industrial/ commercial / agricultural		
Current (0 -30 days)	3 320 525	3 405 294
31 - 60 days	1 044 765	1 528 285
61 - 90 days	3 699 888	737 790
91 - 120 days	285 047	591 367
121 - 365 days	2 396 891	494 073
> 365 days	4 748 577	9 641 096
	15 495 693	16 397 905
Less: Allowance for impairment	(7 044 391)	(10 256 149)
	8 451 302	**6 141 756**

National, provincial and other government organisations		
Current (0 -30 days)	1 077 991	2 037 578
31 - 60 days	646 195	329 265
61 - 90 days	459 508	665 920
91 - 120 days	334 055	471 786
121 - 365 days	3 463 471	428 485
> 365 days	4 288 688	6 725 804
	10 269 908	10 658 838
Less: Allowance for impairment	(6 725 804)	(4 536 177)
	3 544 104	**6 122 661**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Consumer debtors (continued)

Total		
Residential and Other	12 612 402	11 962 573
National, Provincial and other government organisations	6 131 631	3 532 807
	18 744 033	**15 495 380**
Less: Provision for debt impairment		
Impairment provision	(31 172 771)	(30 033 445)
Reconciliation of debt impairment provision		
Balance at beginning of the year	(30 033 445)	(20 661 293)
Contributions to provision - Statement of Financial Performance	(9 620 743)	(9 372 152)
Debt impairment written off against provision	8 481 417	-
	(31 172 771)	**(30 033 445)**

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R 49 916 804 (2014: R50 590 875) were impaired and provided for.

The amount of the provision was - R 31 172 771 on 30 June 2015 (2014: - R30 033 445).The basis of the calculation of debt impairment is based on the risk assessment required in terms of GRAP 19.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	250	250
Bank balances	24 966 839	35 246 615
	24 967 089	**35 246 865**

The amounts utilised in the financial statements are the cash book balances as prescribed by the accrual basis of accounting that is used to prepare the annual financial statements. The bank statement balances as indicated on the bank statements for the specific date. Bank reconciliations indicating the reconciling items are performed monthly for each account. The municipality strives to keep the reconciling items to as little as possible.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
ABSA BANK - Cheque Account (Acc no 900000049	1 358 311	4 412 025	1 203 415	2 587 065
ABSA BANK - Cheque (PHP) (Acc no 4058848103)	-	322 237	2 125	322 237
ABSA Bank Limited Call Account (Acc no 4068316809)	140 374	495 659	140 374	518 217
Sanlam Investment Management Corporate Money Market Fund (Acc No: GGMKON)	330 874	320 346	330 874	320 346
Nedbank Limited: 90 Day Notice Deposit (Acc No 03/7881068264)	23 290 051	31 498 750	23 290 051	31 498 750
Total	**25 119 610**	**37 049 017**	**24 966 839**	**35 246 615**

18. Other financial liabilities

Payable value due for longer than one period forward to end of contract		
Operating lease payments received in advance	4 840 000	5 060 000
Payable value due for one period forward		
Operating lease payments received in advance	220 000	220 000
	5 060 000	**5 280 000**

The municipality received R 5 500 000 in advance (2012/2013) for the market related lease of a business property. As part of the lease agreement these payments are amortised over the period of the lease agreement. No escalation is applicable on the lease and the lease payments are amortised utilising the straight line method. The lease amounts to R 220 000 per annum including VAT (value added tax).

Non-current liabilities		
At amortised cost	4 840 000	5 060 000
Current liabilities		
At amortised cost	220 000	220 000
	5 060 000	**5 280 000**

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

19. Unspent conditional grants and receipts (continued)

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	14 637 422	4 885 770
Land Affairs Grant	466 250	466 250
DPLG/PHP Housing Grant	-	322 237
DME - ELECTRIFICATION GRANT	1 108 473	3 987 599
	16 212 145	**9 661 856**

See note 26 for reconciliation of grants from Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

20. Provision for long service leave bonus

Reconciliation of provision - 2015

	Opening Balance	Current Service Cost	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	34 991 207	6 064 815	-	807 967	-	41 863 989
Provision for Long Service Leave Bonus	3 517 175	471 877	(117 459)	279 236	(76 818)	4 074 011
	38 508 382	**6 536 692**	**(117 459)**	**1 087 203**	**(76 818)**	**45 938 000**

Reconciliation of provision - 2014

	Opening Balance	Current Service Cost Restated	Benefit Vested	Interest Cost	Actuarial Loss / (Gain) Restated	Total
Environmental rehabilitation - Landfill	31 145 563	3 183 094	-	662 550	-	34 991 207
Provision for Long Service Leave Bonus	2 149 318	196 740	(230 108)	151 519	1 249 706	3 517 175
	33 294 881	**3 379 834**	**(230 108)**	**814 069**	**1 249 706**	**38 508 382**

Non Current Portion Landfill site provision	41 090 764	34 183 239
Current Portion Landfill site provision	773 225	807 968
Non-current portion of long service leave provision - Restated	3 485 581	3 367 957
Current portion of long service leave provision	588 430	149 218
	45 938 000	**38 508 382**

Employee benefit cost provision

An actuarial valuation was performed on the long service bonus awards - current and non current - liability for the purpose of reporting under the statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standards 19 (IAS 19) was performed.

In terms of the basic conditions of employment long service accumulated leave must be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.

Environmental rehabilitation provision

An actuarial valuation was performed on the environmental rehabilitation - current and non current - liability. The nett effect of the transfer of R 26 783 202 was indicated in the Statement of financial performance for the 2013 financial year. This amount was reduced due to the assets received as part of the transfer. The municipality appointed Messers One Pangaea Financial as actuaries to perform the rehabilitation review and estimation for the 2015 financial year. The appropriate procedures were followed to ensure that the provision is appropriate for the landfill sites operated.

21. Payables from exchange transactions

Trade payables	17 750 483	12 638 149
Payments received in advanced - Dept Land Affairs and others	5 566 733	-
Accrued leave pay	8 401 559	7 774 925
Accrued bonus	2 668 655	2 410 923
Retention fees	9 572 659	10 079 440
	43 960 089	**32 903 437**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Consumer deposits

Deposits held	5 531 346	3 170 578

23. Revenue

Service charges	59 868 598	56 620 595
Rental of facilities & equipment	1 198 622	1 124 654
Income from agency services	-	2 623 479
Licences and permits	5 081 009	4 699 395
Other revenue	3 180 038	2 209 866
Interest received - investment	9 826 125	10 230 798
	79 154 392	**77 508 787**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	59 868 598	56 620 595
Rental of facilities & equipment	1 198 622	1 124 654
Interest received – trading	9 826 125	10 230 798
Agency services	-	2 623 479
Licences and permits	5 081 009	4 699 395
Other revenue	3 180 038	2 209 866
	79 154 392	**77 508 787**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	19 271 377	20 449 606
	-	-
Fines and Enforcement Revenue		
Fines	2 583 639	1 666 250
Transfer revenue		
MIG Grant	56 088 348	38 710 230
Equitable share and other grants	173 520 126	152 890 401
	251 463 490	**213 716 487**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

24. Property rates

Rates received

Rates Levied	32 345 564	39 358 543
Less: Income forgone	(13 074 186)	(18 908 937)
	19 271 378	**20 449 606**

Property rates levied on Municipality owned accounts were not levied for the financial year. The corresponding 2013/14 amounts would change to Rates Levied R 10

Valuations

Residential	2 696 578 000	2 748 308 000
Commercial	939 854 900	1 005 396 900
State	527 904 570	195 060 660
Municipal	102 305 960	124 105 210
Small holdings and farms	3 104 059 150	3 398 230 650
Social	37 633 000	48 619 000
	7 408 335 580	**7 519 720 420**

Valuations on land and buildings are performed every 4 years. The general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The general supplementary valuation was implemented on 01 July 2014.

25. Service charges

Sale of Electricity	56 385 378	53 899 203
Refuse Removal	3 483 220	2 721 392
	59 868 598	**56 620 595**

26. Government grants and subsidies

Equitable Share	166 920 000	143 438 000
Municipal Infrastructure Grant (MIG)	56 088 348	38 710 230
Financial Management Grant (FMG)	1 600 000	1 550 000
Municipal System Improvement Grant (MSIG)	934 000	890 000
DME - National Electrification Grant	2 879 126	6 012 401
EPWP Grant	1 187 000	1 000 000
	229 608 474	**191 600 631**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 885 770	-
Current-year receipts	65 840 000	43 596 000
Conditions met - transferred to revenue	(56 088 348)	(38 710 230)
	14 637 422	**4 885 770**

Municipal Finance Management Grant

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	-	-

All conditions to the FMG Grant were met during the year.

Municipal Systems Improvement Grant

Current year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

Conditions still to be met - remain liabilities (see note 19)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Government grants and subsidies (continued)

Land Affairs

Balance unspent at beginning of year	466 250	466 250

DME - National Electrification Grant

Balance unspent at beginning of year	3 987 599	-
Current-year receipts	-	10 000 000
Conditions met - transferred to revenue	(2 879 126)	(6 012 401)
	1 108 473	**3 987 599**

EPWP Grant

Current-year receipts	1 187 000	1 000 000
Conditions met - transferred to revenue	(1 187 000)	(1 000 000)
	-	**-**

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Other revenue

Other income	3 180 038	2 209 866

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

28. General expenses

Auditing - Internal audit fee - Restated from Audit fees	1 518 450	736 363
Advertising	472 368	460 275
Auditors remuneration - Office of AG	2 984 500	1 500 430
Bank charges	288 401	263 391
Bad debt - Sundry debtors from exchange transactions written off	759 254	-
Community services - Developmental and outreach programmes	3 319 287	3 609 134
Conferences and seminars	3 762 168	2 747 424
Consulting and professional fees	23 189 879	12 592 946
Consumables	1 777 114	2 223 883
Bursaries	527 092	311 752
Electricity Water and Refuse - Municipal Consumption	1 171 882	1 079 707
Entertainment	57 534	130 479
Fines and penalties	4 700	55 050
Fuel and oil	-	955
IT expenses	6 043 682	7 307 390
Insurance	2 582 628	3 870 119
Magazines, books and periodicals	79 751	-
Motor vehicle expenses	3 660 185	1 078 133
Postage and courier	242 774	221 613
Printing and stationery	1 690 403	1 430 405
Protective clothing	246 338	174 580
Operation of landfill site	3 523 932	2 725 775
Security (Guarding of municipal property)	7 734 650	7 074 501
Landfill site - additional interest landfill rehabilitation provision - Note 19	807 967	662 550
Staff welfare	-	193 896
Stock adjustment	-	123 427
Subscriptions and membership fees	981 432	967 999
Telephone and fax	1 507 571	2 094 878
Town planning - Valuation costs	268 850	734 500
Training	1 640 075	1 157 548
Travel - Subsistance reimbursement	1 044 035	585 898
Uniforms	58 697	11 988
	71 945 599	**56 126 989**

29. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges		
Motor vehicles		
• Contractual amounts	4 510 330	361 137
Equipment		
• Contractual amounts	5 649 580	3 431 835
	10 159 910	**3 792 972**

Loss on sale of property plant and equipment	(2 135 548)	(53 999)
Impairment on property, plant and equipment	649 448	(1 250 000)
Gain on sale of non-current assets held for sale and net assets of disposal groups	16 807 895	-
Depreciation on property, plant and equipment	32 042 158	32 548 462
Employee costs	121 513 083	103 211 278

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

30. Employee related costs

Basic	57 580 269	49 786 372
Bonus - Accrual for Dec Bonus	4 719 296	518 491
Medical aid - company contributions	2 929 383	2 601 570
UIF	477 696	408 310
Bargaining Council	25 854	22 130
SDL	831 402	582 225
Leave Pay - Provision Charge	1 198 569	6 111 615
Defined contribution plans	10 604 721	9 248 541
Salary Allowances - Travel, motor car, accommodation, subsistence and other allowances	4 710 418	3 585 265
Overtime payments	1 813 806	1 406 820
Post Employment Medical Aid Benefits and long service leave - Interest Charge	2 792 437	2 264 437
Post Employment Medical Aid Benefits and long service leave - Current Service Cost Restated	1 773 514	1 366 631
Acting allowances	79 596	372 330
Housing benefits and allowances	92 975	67 214
Stipend Ward Committee - temporary employees	3 484 000	3 478 238
Long-term benefits - incentive scheme	3 361 176	-
	96 475 112	**81 820 189**

Not Included in the above balances is (unless stated otherwise) the remuneration for the following S55 and S57 municipal employees:

Remuneration of Municipal Manager (Ms. MM Skosana) until resignation 31 January 2014

Annual Remuneration	-	453 643
Car Allowance	-	110 833
Contributions to Pension Funds	-	34 023
Contribution to UIF and SDL	-	7 151
Leave Pay	-	102 584
	-	45
	-	**708 279**

Remuneration of Acting Municipal Manager (From 24 February 2014 until 31 August 2014) then Director Planning and Development Mr. NW Phala

Annual Remuneration	799 256	618 605
Car Allowance	120 000	100 000
Acting Allowance (Municipal Manager)	18 000	38 077
Contributions to Pension Funds	59 944	46 395
Travelling and Subsistence	3 613	12 840
Contribution to UIF and SDL	10 397	8 391
Housing Subsidy	1 668	64
	1 012 878	**824 372**

Remuneration of Chief Finance Officer (Mr. MS Monageng)

Annual Remuneration	434 663	660 000
Car Allowance	167 474	270 000
Travelling and Subsistence	1 634	1 067
Contribution to UIF and SDL	7 625	10 554
Termination pmt - leave	89 709	-
Bargaining Council	46	76
	701 151	**941 697**

Remuneration of Acting Chief Financial Officers

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

30. Employee related costs (continued)

Mr R Palmer	4 590	-
Mr ML Sebelemetja	160 063	-
Mr MP Mthimunye	34 318	-
	198 971	**-**

Remuneration of Acting Directors Corporate Services

Mr LR Mafiri	29 365	-
Mr MM Mokganyetji	-	161 280
	29 365	**161 280**

CRemuneration of Acting Directors Social Services

Mr MM Mokganyetji	24 883	-
Ms Ms Mokhulwane	14 183	-
Mr C Coetzee	17 313	-
	56 379	**-**

Municipal Manager from (1September 2014) Director Corporate Services - MS RM Maredi (from 1 June 2014)

Annual Remuneration	749 456	57 752
Car Allowance	120 000	10 000
Non Pensionable Allowance	22 500	2 500
Contributions to Medical and Pension Funds	56 022	4 143
Housing allowance	2 500	-
Travelling and Subsistence	4 912	-
Leave Payout	46 538	-
Contribution to UIF and SDL	11 188	790
Annual Bonus	35 312	-
Acting Allowance	29 160	-
Contribution to Bargaining Council	80	-
	1 077 668	**75 185**

Director Community Services (Mr. Tshesane)

Annual Remuneration	654 713	652 041
Car Allowance	136 403	148 803
Termination pmt - leave	76 253	-
Contributions to Pension Funds	98 207	97 806
Travelling and Subsistence	-	14 422
Contribution to Medical Aid	19 497	19 350
Contribution to UIF and SDL	9 741	9 200
Contribution to Bargaining Council	73	76
	994 887	**941 698**

Director Infrastructure (Ms. RF Morudu)

Annual Remuneration	724 610	694 167
Car Allowance	197 847	212 500
Contribution to Bargaining Council	80	-
Contribution to UIF and SDL	10 450	10 426
Contributions to Pension Funds	38 613	76
	971 600	**917 169**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

30. Employee related costs (continued)

Director Strategic Management (Mr. MM Kgwale)

Annual Remuneration	774 094	709 847
Car Allowance	108 000	108 000
Travel and subsistance	6 413	6 704
Contributions to Pension Funds	58 057	53 239
Normal Bonus	63 557	58 273
NPA	29 870	-
Contribution to UIF and SDL	10 743	9 797
Contribution to Bargaining Council	80	76
	1 050 814	**945 936**

Remuneration of Acting Director Strategic Management

Mr KJ Motha	30 019	-
Ms RP Mdluli	14 284	-
	44 303	**-**

Remuneration of Acting Director Planning and Development

Mr BO Sethojoa	56 038	105 579

31. Remuneration of councillors

Mayor	787 981	675 358
Speaker	633 811	544 215
Executive Committee Councillors	3 889 980	2 251 230
Ordinary Councillors	13 370 996	12 057 139
Chief Whip	593 866	508 816
Cellphone allowances - To be recovered	(432 720)	-
	18 843 914	**16 036 758**

In-kind benefits

The Mayor, Speaker, Chief Whip and three full time Exco councillors and seven part time Exco councillors. The three are provided with an office and secretarial support at the cost of the Council

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

The additional disclosures as required by the Municipal Finance Management Act of 2004 as part of the MFMA disclosure note 55.

Remuneration of Mayor

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

31. Remuneration of councillors (continued)

Public Office Remuneration	257 038	411 689
Car Allowance	127 092	164 077
Basic Salary	347 184	-
Contributions to Medical and Pension Funds	93 717	89 617
Re - imbursive Allowance	-	5 380
Cellphone allowance retrospective	-	4 596
Other - Data, cellphone, adjustments, parking and subscriptions	51 721	-
Overpayment paid back after year end	(88 771)	-
	787 981	**675 359**

Additional text

Remuneration of Speaker

Public Office Remuneration	135 914	330 578
Car Allowance	160 772	131 262
Basic Salary	236 566	-
Contributions to Medical and Pension Funds	56 230	73 476
Re - imbursive Allowance	-	4 304
Cellphone allowance retrospective	-	4 596
Other - Data, cellphone, adjustments, parking and subscriptions	44 329	1
	633 811	**544 217**

Remuneration of Executive Committee

Public Office Remuneration	1 176 454	1 503 830
Car Allowance	928 758	529 148
Basic Salary	1 028 116	-
Contributions to Medical and Pension Funds	289 219	110 562
Re - imbursive Allowance	-	23 976
Other - Data, cellphone, adjustments, parking and subscriptions	467 433	25 911
Cellphone allowance retrospective	-	57 804
	3 889 980	**2 251 231**

Remuneration of Chief Whip

Public Office Remuneration	134 919	306 781
Car Allowance	149 085	123 058
Basic Salary	191 214	-
Contributions to Medical and Pension Funds	75 783	70 347
Re - imbursive Allowance	-	4 035
Cellphone allowance retrospective	-	4 596
Other - Data, cellphone, adjustments, parking and subscriptions	42 865	-
	593 866	**508 817**

Remuneration of Ordinary Councillors

Public Office Remuneration	6 040 148	7 716 857
Car Allowance	2 853 101	2 772 005
Basic Salary	1 475 678	-
Contributions to Medical and Pension Funds	783 469	879 962
Re - imbursive Allowance	-	95 549
Other - Data, cellphone, adjustments, parking and subscriptions	2 218 601	12 600
Cellphone allowance retrospective	-	580 166
	13 370 997	**12 057 139**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

32. Administrative expenditure

Administration and management fees -RTMC and Other	574 646	571 163

33. Debt impairment

Contributions to debt impairment provision	9 620 743	9 372 152
Contributioin toTraffic fine debt impairment provision	1 736 171	872 511
	11 356 914	**10 244 663**

34. Investment revenue

Interest revenue		
Bank and investments	3 390 756	3 063 982
Interest charged on trade and other receivables	5 860 975	6 632 858
Interest received - Eskom	574 394	533 959
	9 826 125	**10 230 799**

35. Depreciation

Property Plant and Equipment	32 042 158	32 548 462

36. Gains and losses on biological and other assets

Gain (loss) on valuation and write off of biological, other and heritage assets	(2 135 548)	(53 999)

37. Auditors' remuneration

Fees	2 984 500	1 500 430

38. Grants and subsidies paid

Expenditure on specific conditional grants received		
FMG Grant Expenditure	1 187 579	1 491 456
MSIG Expenditure	644 000	795 689
	1 831 579	**2 287 145**

39. Bulk purchases

Electricity	51 852 916	48 014 426

Please refer to note 51 for additional information disclosed in terms of the MFMA requirements.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

40. Cash generated from operations

(Deficit) surplus	(2 626 651)	23 122 267
Adjustments for:		
Depreciation and amortisation	32 042 158	32 548 462
(Gains) / losses on sale of assets and liabilities	2 135 548	53 999
Gain on discontinued operations	16 807 895	-
Income from equity accounted investments	(4 090 000)	(4 765 000)
Fair value adjustments	(278 209)	2 131 468
Impairment (reversal)/write off	649 448	(1 250 000)
Debt impairment	11 356 913	10 244 663
Movements Landfill accruals	6 872 782	3 845 644
Movements in retirement benefit assets and liabilities	2 595 371	3 251 107
Movements in provisions	556 836	1 367 857
Waive SDM non cash	(16 807 893)	-
Restatement long service leave awards	-	(1 173 134)
Non Cash Movement - Escom deposit	(568 808)	-
Non Cash Movement Other financial Liabilities and Fair value adjustments	58 209	-
Non Cash Movement - Valuation Heritage Capitalised	(12 452)	-
Changes in working capital:		
Inventories	(347 807)	(378 647)
Receivables from exchange transactions	15 425 618	(1 404 652)
Consumer debtors	(9 543 518)	(12 752 256)
Other receivables from non-exchange transactions	(403 979)	(333 214)
Payables from exchange transactions	11 056 651	4 587 882
VAT	(14 158 967)	(1 696 802)
Unspent conditional grants and receipts	6 550 289	8 875 822
Consumer deposits	2 360 768	(5 218)
	59 630 202	**66 270 248**

41. Cash flow - prior year error adjustment

Cash flow was adjusted with the prior year errors on the face of the cash flow but not on the actual reserves received. The adjustment is presented on the face of the cash flow statement to indicate the effect on revenue and expenditure as per statement of financial performance.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment - excluding VAT	7 835 579	6 168 336
Total capital commitments		
Already contracted for but not provided for	7 835 579	6 168 336

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	12 970 078	748 531
- in second to fifth year inclusive	21 057 612	335 511
	34 027 690	**1 084 042**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment and fleet. These rentals are negotiated for a three year term. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1 090 111	1 090 111
- in second to fifth year inclusive	1 037 203	2 127 314
	2 127 314	**3 217 425**

43. Contingent Liabilities

Litigation is in the process against the municipality relating to disputes with employees, members of the public and contractors/suppliers rendered services and goods to the municipality and is seeking damages of R0 (2015) R4 476 429 (2014) R 3 454 434 (2013).

A number of cases against the Municipality was completed during the year and no additional claims are expected.

44. Related parties

Relationships

Remuneration of Councillors			
Councillors - Councillor remuneration - Refer to note 31		18 843 915	16 036 758
The salary in total paid to the mayor is not included in this amount. Due to an administrative issue an overpayment of R 88 770.62 was made near year end. The relevant overpayment was paid back by the mayor after year end.	31		
Post employment benefit plan for employees	9		
Post employment benefit plan for employees and/or other related parties - Refer to Note 9 - Municipal Gratuity Fund		30 763 711	28 168 340
S55 and S57 Employees remuneration	30		
Municipal Manager (Section 55) and Other Directors (Section 57) Remuneration - Refer to note 30		6 194 054	5 354 333

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Prior period errors

The following prior year error was identified and adjusted retrospectively:

CORRECTED IN 2013/2014 FINANCIAL PERIOD

1. These items was restated as receivables from exchange transactions for 2014. - The municipality levied additional lease contract that was signed based on historical leases. These lease contracts were previously not available and have been provided as contingent assets in 2013. The leases were only finalised after 2014 year end but adjusted retrospectively as required by GRAP. The amounts levied were 2014 : R643 564.54 (2013: R 342 026.94) (2010- 2012 : R 217 771.62) For information on the restatement refer to note 44.s

2. An employee was paid an acting allowance of R 31 224 during the 2013/14 period. As this was not a valid allowance the amount was recovered. A sundry debtor was raised for 2013/14 and the related salary expense were reduced with (R 31 224).

3. The municipal consumption was not paid for all accounts during the 2013/14 period. This resulted in an increased general expense - Municipal Consumption of R 1 079 706 and reduction of consumer debtors of (R 1 079 706). The amounts allocated to the different types of consumers are for Government and other - (R 1 079 706). The amount per type of current period 2014 consumption was (R 1 038 770) - Electricity 2014, (R 2 302) Refuse 2014. This resulted in an adjustment of (R 1 041 072) in the disclosure of Consumer debtors for exchange transactions. The amount per type of levy was (R 3 286) Other 2014 and (R 32 061) for Estate Tax 2014, This resulted in an adjustment of (R 35 348) in the consumer debtors from non exchange transactions.

4. The actual amount provided for bonus provision in the 2013/14 financial year was understated with R 53 063. This resulted in an underatatement of the provision for bonusses (Trade payables for exchange transactions) of (R 53 063) and an understatemet of employee costs of R 53 063.

5. The actuarial valuation for long service bonusses were calculated on an incorrect base assumption. This created an understatement of the provision for long service bonusses of (R -1 173 133) and an understatement of expenditure of the cost (Post Employment Medical Aid Benefits and long service leave - Current Service Cost) of R -1 173 133 Actuarial profit loss (R 1 173 133). The effect was an increase in the non current portion of (R 90 942), the effect was an further increase in the current portion of (R 90 942)

6. VAT was claimed on Sekhukhune Water related transaction expenditure. This was not in line with the directive received for these types of transactions. The amount was restated and corrected in the 2011 VAT returns and reallocated to decrease the VAT receivable account with (R1 564 377) and the related Trade Receivable from exchange transactions on Sekhukhune related transaction increased with R1 564 377.

7. Employees that earned in excess of R 183 008 was paid overtime - this was not correctly disclosed as irregular expenditure. The disclosure was appropriately updated in the notes and restated with R 44 871.

8. VAT was restated on overpayments and reduced by R 412 945.95 (2012/13 R 412 945.95).

9. Property plant and equipment was restated due to some items being depreciated below zero values. The error was corrected and resulted in an increase in accumulated depreciation - other assets reducing with R 63 548 and depreciation reducing with R 63 548 for the 2013/14 period.

10. A payment was receipted for an amount of R 470 033 in the bank during year end 2014 as unknown deposit. This was reallocated to insurance claim debtors for the 2014 period as more information was received for the deposit during the 2014/2015 financial period.

(The correction number is indicated in brackets next to the item adjusted.)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

45. Prior period errors (continued)

Statement of financial position	**2013 / 2014**	**2012/ 2013**
Accumulated Surplus (8)	412 946	-
Property plant and Equipment - Other assets (8)	-	63 548
Consumer debtors	-	-
- Consumer Debtors From Exchange Transactions (3)	(1 041 063)	-
- Consumer Debtors From Non Exchange Transactions (3)	(38 638)	-
Receivables from exchange transactions	-	-
- Receivables from exchange transactions (6) Sekhukhune District Municipality VAT	1 564 377	1 564 377
- Receivables from exchange transactions - Sundry Debtors Insurance claim	(470 033)	-
- Receivables from exchange transactions (1,2) - Sundry debtors Long term Rentals	643 564	-
- Receivables from exchange transactions (1,2) - Sundry debtors Bonus repayable	31 224	-
Trade and other receivables	-	-
- Trade and other receivables (1) Long Term Rentals from contingent assets	(643 564)	-
Trade and other payables	-	-
- Trade and other payables bonus provision - from restated amount processing error (4) (5)	(53 063)	-
- Trade and other payables - Insurance payment reclassified	470 033	-
Provision for long service bonus	-	-
- Provision for long service bonus - current service cost, interest cost and actuarial profit/loss (5) Non current portion	(1 082 191)	-
- Provision for long service bonus - current service cost, interest cost and actuarial profit/loss (5) Current portion	(90 942)	-
VAT payable / receivable (6) (8)	(1 977 323)	(1 977 323)
	(2 274 673)	**(349 398)**

-Statement of Financial Performance		
Licenses and permits	-	412 946
Depreciation	-	(63 548)
Employee related costs - Acting Allowances (2)	(31 224)	-
Employee related costs - Bonus provision (4)	53 063	-
Employee related costs - Long Service Awards - Actuarial gains/losses (5)	1 173 133	-
General expenses (3)	1 079 706	-
	2 274 678	**349 398**

46. Risk management

Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 17, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as toal borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Figures in Rand	2015	2014

46. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying requirements for service delivery funding, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality is able to cover the current and future commitments from available funds at a ratio of 0.76 times from the accumulated investment balances.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables - From Exchange Transactions	2 908 660	18 625 800
Receivables - From Non Exchange Transactions	3 032 296	2 628 317
Consumer Debtors - From Exchange Transactions	6 137 351	6 036 714
Consumer Debtors - From Non Exchange Transactions	12 606 685	14 520 714

47. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

48. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

49. Unauthorised expenditure

	2015	2014
	11 202 663	5 766 279

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

49. Unauthorised expenditure (continued)

2015 - Unauthorised operating expenditure is due to non-cash backed expenditure exceeding the budget R 11 202 663.07

2014 - Unauthorised operating expenditure is due to non-cash backed expenditure exceeding the budget R 5 766 279.

2013 - Unauthorised operating expenditure is the following non-cash backed expenditure which includes the following, debt impairment R10 291 087 (2013), depreciation and transferred asset costs R26 975 376 (2013) and impairment loss R10 276 900.

50. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - 2015 Interest paid on late payments	1 978	-
Fruitless and wasteful expenditure - 2015 Interest paid on late payments Condoned	(1 978)	-
Fruitless and wasteful expenditure - 2014 Interest paid on late payments	-	36 420
	-	**36 420**

Fruitless and wasteful expenditure relates to penalties and interest on the late payment of suppliers R 1 978 (2015) , R 36 420 (2014), R75 595 (2013), R49 502 (2012), R23 444 (2011) and R8 448 (2010).

The contracts for the Municipal Manager and Chief Financial Officer were terminated during the Financial Year 2011. Severance packages amounting to R6 225 987 had had been paid out. Based on MPAC's resolution that this amount must be recovered from council - 26 October 2012.

Analysis of expenditure awaiting condonation per age classification

Current year	2 583 765	36 420
Prior years	9 030 941	8 994 521
	11 614 706	**9 030 941**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

50. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Interest paid due to payment process 2015	Condoned by Council	1 978
Payment made to the lawyer for settlement of CFO case	To be condoned by Council	2 583 765
		2 585 743

51. Irregular expenditure

	2015	2014
Opening balance - Adjusted and resated (7)	49 280 366	24 012 141
Add: Irregular Expenditure - current year	22 748 812	25 224 038
Additional Disclosure Prior year irregular identified (7)	-	44 187
Less: Amounts condoned - 2015	(2 038 493)	-
	69 990 685	**49 280 366**

Analysis of expenditure awaiting condonation per age classification

	2015	2014
Current year	22 748 812	25 224 038
Prior years	49 236 179	24 012 141
Restatement 2012/13 (7)	44 187	44 187
Condonement by Council - 2015	(2 038 493)	-
	69 990 685	**49 280 366**

Details of irregular expenditure

	Disciplinary steps taken	
2012 Payment on Security Services	Expenditure recoverable	811 376
2012 Excess payment on Internal Audit	Under investigation	893 149
2012 Excess payment on Electronic filling system	Under investigation	591 415
2013 Payment on Repairs and Maintenance	Under investigation	356 575
2013 Excess overtime paid	Under investigation - Restatement	44 187
2013 Excess payment on Internal Audit	Under Investigation	173 947
2013 SCM procedures not followed	Under investigation	17 939 970
2013 SCM procedures not followed	Under investigation	3 245 709
2014 SCM procedures not followed	Under investigation	25 224 038
2015 SCM procedures not followed	Under investigation	15 633 819
2015 Overpayment of Councillors cellphone	Under investigation	432 720
2015 SCM Payments made to connected persons or companies - conflict of interest	Investigated	6 603 496
2015 SCM procedures not followed	Condoned	(2 038 493)
		69 911 908

52. Additional disclosure in terms of Municipal Finance Management Act

Electricity distribution losses

	2015	2014
Losses incurred - R	10 458 734	12 407 336
% loss incurred	15.370 %	17.610 %
Purchased units	(68 039 403)	(70 436 216)
Sold units	57 580 669	58 028 862
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

SALGA Fees

	2015	2014
Current year subscription / fee	981 433	966 695
Amount paid - current year	(981 433)	(966 695)
	-	-

PAYE and UIF

	2015	2014
Current year subscription / fee	13 333 414	12 080 317
Amount paid - current year	(13 333 414)	(12 080 317)
	-	-

Pension and Medical Aid Deductions

	2015	2014
Current year subscription / fee	17 074 797	20 036 249
Amount paid - current year	(17 074 797)	(20 036 249)
	-	-

VAT

	2015	2014
VAT receivable	25 558 369	11 399 403

VAT output payables and VAT input receivables are shown in note 15.

All VAT returns have been submitted by the due date throughout the year. The municipality is registred on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors seperate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the seperate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2014	Non Current - Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Moloba A	63	810	873
Cllr Mahlase K	37	443	480
Cllr Mahlangu TS	20	243	263
	120	**1 496**	**1 616**

53. Utilisation of Long-term liabilities reconciliation

	2015	2014
Long-term liabilities raised	5 060 000	5 280 000

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

53. Utilisation of Long-term liabilities reconciliation (continued)

Long and short term liabilities for the lease rentals received in advance have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. The amount raised is the pre payment of rentals for a stand by developers. R 5 500 000 was received for a 300 month rental period.

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the municipal manager and noted by Council. Deviation found were as follows.

Incident		
The only service provider (31)	-	448 087
Emergencies (5)	-	376 651
Vehicles stripped and to be repaired (13)	-	193 323
Venue - nearer and only (14)	-	244 051
Specialist services (8)	-	452 698
Insufficient suppliers and or quotations could be obtained	-	111 223
	-	**1 826 033**

55. Public Office Holders Remuneration

. All Public Officers Remuneration Disclosure

	Basic Salary	Public Office Allowance	Travel Allowance	Other Receipts	Pension Fund Contribution	Medical Aid Contribution	Skills Contribution	Total package 2015
Non-Executive Members								
Cllr JL Mathebe	347 184	257 038	127 092	45 705	93 717	-	6 016	876 752
Cllr TM Phahlamohlaka	191 214	134 919	149 085	38 760	46 682	29 101	4 104	593 865
Cllr TS Mahlangu	236 566	135 914	160 772	39 970	56 230	-	4 358	633 810
Cllr R Alberts (Exco Member)	28 425	128 206	74 095	83 664	23 679	-	2 213	340 281
Cllr TJ Lepota (Exco Member)	214 281	134 920	158 778	47 975	52 716	-	4 130	612 800
Cllr NN Mahlangu (Exco Member)	63 854	128 206	85 778	45 172	28 994	-	2 165	354 169
Cllr EM Masemola (Exco Member)	193 870	134 919	134 718	38 760	49 654	23 474	4 083	579 478
Cllr MK Tshoshane	34 799	126 863	53 887	42 853	-	-	1 813	260 215
Cllr AB Mahlangu	43 124	128 807	89 324	44 318	-	35 534	2 383	343 490
Cllr J Mahlangu	13 712	125 967	53 887	45 172	21 086	-	1 529	261 353
Cllr MD Mahlangu	34 799	126 863	55 070	45 408	-	-	1 845	263 985
Cllr KS Mahlase	51 597	127 658	77 824	47 570	27 061	-	2 059	333 769
Cllr MN Malatji	13 712	125 967	53 887	45 172	21 086	-	1 529	261 353
Clr MS Malekane	13 712	125 967	53 887	45 066	21 086	-	1 529	261 247
Cllr AM Maloba	174	123 511	53 887	45 243	18 292	19 135	1 585	261 827
Cllr DS Mamaila	13 712	125 967	55 769	39 026	21 086	-	1 517	257 077

Notes to the Annual Financial Statements

55. Public Office Holders Remuneration (continued)

Cllr MS Marapi	13 712	125 967	53 887	45 066	21 086	-	1 529	261 247
Cllr MS Maselela	13 712	125 967	53 887	45 066	21 086	-	1 529	261 247
Cllr HS Mashifane	34 799	126 863	53 887	45 408	-	-	1 845	262 802
Cllr MS Mashilo	34 799	126 863	59 439	45 408	-	-	1 845	268 354
Cllr WM Matemane	-	104 667	53 887	38 760	15 121	40 977	1 645	255 057
Cllr SM Mathale	34 799	126 863	53 887	45 408	-	-	1 845	262 802
Cllr MS Matlala	14 607	125 967	56 418	46 559	20 191	-	1 621	265 363
Cllr TS Matsepe	34 799	126 863	60 597	45 408	-	-	1 845	269 512
Cllr MP Matshipa	34 799	126 863	58 619	46 662	-	-	1 845	268 788
Cllr ST Matsomane	34 799	126 863	53 887	45 408	-	-	1 845	262 802
Cllr SH Mehlape	187 105	120 000	132 906	47 386	46 492	27 681	3 976	565 546
Cllr CT Mhlanga	13 712	125 967	53 889	45 202	21 086	-	1 529	261 385
Cllr I Mkhaliphi	13 712	125 967	53 887	45 231	21 086	-	1 529	261 412
Cllr TN Mmutle	13 714	125 967	53 885	45 240	21 086	-	1 529	261 421
Cllr VV Moganedi	13 712	125 967	53 887	45 069	21 086	-	1 529	261 250
Cllr MP Mokgabudi	13 712	125 967	53 887	38 744	21 086	-	1 517	254 913
Cllr MT Mokganyetji	34 799	126 863	53 887	45 408	-	-	1 845	262 802
Cllr I Mogkomogane	32 089	116 100	49 396	29 040	-	-	2 686	229 311
Cllr MP Mokone	34 799	126 863	53 887	45 440	-	-	1 845	262 834
Cllr OE Motau	13 712	125 967	53 887	45 066	21 086	-	1 529	261 247
Cllr MG Motlafe	1 469	124 558	53 887	45 243	18 853	17 118	1 581	262 709
Cllr DM Mzinyane	78 658	128 807	69 155	45 593	-	-	2 415	324 628
Cllr ME Nduli	51 597	127 658	69 155	45 066	27 061	-	2 009	322 546
Cllr SF Nkosi	34 799	126 863	53 887	45 408	-	-	1 845	262 802
Cllr TJ Ntuli	34 799	126 863	53 887	45 408	-	-	1 845	262 802
Cllr ML Phala	34 799	126 863	56 679	46 564	-	-	1 845	266 750
Cllr A Phatlane	39 231	168 365	89 727	45 066	32 227	-	2 200	376 816
Cllr RJ Podile	34 799	126 863	53 887	45 408	-	-	1 845	262 802
Cllr MF Rakoena	34 799	126 863	54 078	45 440	-	-	1 845	263 025
Cllr MW Ramphisa	34 799	126 863	53 887	45 440	-	-	1 845	262 834
Cllr SL Skosana	-	88 581	53 887	38 525	13 421	58 764	1 756	254 934
Cllr LH Tshoma	13 712	125 967	54 663	45 128	21 086	-	1 529	262 085
Cllr MS Tshoma	13 712	125 967	53 887	45 307	21 086	-	1 529	261 488
Cllr MW Pitje	13 712	125 967	53 887	43 208	21 086	-	1 529	259 389
Cllr GD Matjomane (Exco Member)	214 283	134 920	155 084	47 060	52 716	-	4 136	608 199
Cllr FM Mogotji (Exco Member)	92 848	129 436	74 095	43 032	-	-	2 568	341 979
Cllr MJ Mohlala (Exco Member)	63 854	128 206	90 364	47 302	28 994	-	2 165	360 885
Cllr JJ Skosana (Exco Member)	92 848	129 437	74 095	42 386	-	-	2 568	341 334
Cllr MD Tladi (Exco Member)	63 854	128 206	81 752	45 889	28 994	-	2 165	350 860
Cllr MZ Buta	51 597	127 658	73 785	45 066	27 061	-	2 009	327 176
Cllr RSA Kabinie	78 658	128 807	73 887	45 593	-	-	2 415	329 360
Cllr JP Kotze	34 799	126 863	53 887	45 408	-	-	1 845	262 802
Cllr MF Madihlaba	34 799	126 863	53 887	43 032	-	-	1 813	260 394
Cllr MM Maepa	13 712	125 967	53 887	45 064	21 086	-	1 529	261 245
Overpayment to be recovered per person	-	-	-	(432 720)	-	-	-	(432 720)
Overpayment Mayor to be recovered	-	(88 771)	-	-	-	-	-	(88 771)
	3 278 763	**7 655 706**	**4 218 809**	**2 264 729**	**1 045 532**	**251 784**	**128 597**	**18 843 919**